



City of Santa Barbara
Airport Department

Memorandum

DATE: March 18, 2009
TO: Airport Commission
FROM: Karen Ramsdell, Airport Director
SUBJECT: Annual Budget for FY 2010

RECOMMENDATION: That Airport Commission review and recommend approval of the Airport Department Fiscal Year 2010 Operating Budget.

Executive Summary

In preparing the budget for FY 2010, the goal was to meet the operational needs of the Airport, while maintaining the cash flow projections necessary for the Airline Terminal Improvement project bond issue. Updated FY 2009 projections and the FY 2010 draft budget have been provided to Jacobs Consultancy, the airport financial consultant, for the Feasibility Analysis which is being revised to incorporate the dramatic changes occurring in the economy.

The Airport's budget has been prepared based on forecasted revenues from rentals and user fees taking into consideration the current economic crisis, impact of the airline industry capacity reductions, and start of construction for the Airline Terminal Improvement project.

With the occupancy of the Quick Turn Facility for the rental car companies, a new revenue line item has been added to the Rental Car Concession to recognize the ground rental from the parcel. Another line of business is being pursued, general aviation landing fees, and if successful a new revenue line item will be incorporated into the budget at that time.

Additionally, two personnel adjustments are being proposed. To lower costs one vacant position has been deleted, and one request for reclassification or salary adjustment has been requested.

In addition to revenue assumptions for FY 2010, Department's were requested to provide projections for year end FY 2009 year with explanation for any variances.

Narrative Analysis of Revenues:

Revenue assumptions for FY 2009 projections and explanation of material budget variances:

- Commercial and industrial revenues have been impacted by the loss of 3 tenants and the opportunity to release these properties is limited, so total projected revenues reflects a 4% decrease from budget.
- Non-Commercial Aviation (general aviation) revenues will remain flat for FY 2009.
- With the exception of rental car revenue, all other Terminal revenues will significantly decrease due to reduced passenger traffic which affects food and beverage, gift shop, and parking. The minimum annual guarantee from the 2006 competitive bid for the Rental Car Concession remains in effect. The total category will be below budget by 7.2%.
- Commercial Aviation revenues will meet or exceed budget targets, primarily due to the charge for employee parking.
- Total projected revenues for FY 2009 are \$12,697,692 or approximately 1.5% below budget.

Revenue assumptions for FY 2010 reflect the declining economy and real estate changes and are projected to be 2.3% below FY 2009.

- Commercial and industrial revenues have been reduced 4.4% from prior year based on vacancies and the anticipated relocation of the Chrysler dealer to Hitchcock auto area, a loss of \$120,000 in revenue for the Airport.
- Non-Commercial Aviation revenue is projected to have a 5% decrease based on the termination of the DHL air freight lease (DHL ceased all domestic operations in February, 2009).
- Terminal revenues are budgeted 3.5% below prior year based on passenger traffic decreases. With a tight economy passengers are reducing discretionary spending so concession revenues are anticipated to remain low. Adjustments have been made to eliminate the revenue from the WiFi concession and the Luggage Cart. The Airport will assume the costs of operating the WiFi at a cost of approximately \$16,000. The charge for luggage carts was eliminated when the Skycap service was discontinued by the airlines.
- Commercial Aviation revenues will remain static in FY 2010 with some slight reduction in landing fees due to loss of Dallas-Fort Worth service and other schedule changes. Building rental will be adjusted in FY 2010.

Changes in fees with related revenue impacts:

Parking fees at the Airport were last adjusted in August 2007. The parking fees are benchmarked with other southern California airports, and in an effort to keep pace with the industry and to encourage alternative transportation, Airport staff is recommending the following changes. The maximum daily rate in the short-term lot be increased from

\$17 to \$20 and the daily rate in the long-term lots remain at \$9. Additionally, staff is recommending that the two free days in the weekly rate be terminated.

With these changes parking revenue in the short-term lot is projected to increase approximately 2% (\$12,000) and in the long-term lots 3% (\$60,000) annually.

Narrative Analysis of Expenditures

Expenditures have been projected based on historical trends and anticipated operational activities. Overall the Airport reduced materials and supplies by 6.6% without major changes in level of service.

Expenditure assumptions for FY 2009 projections and explanation of material budget variances in FY 2009:

- Salaries and Benefits are projected to be below or at budget, once all the MOU adjustments are made. The Security Program has two vacant Patrol Officer positions and recruitment efforts are on-going, but in order to cover the shifts, overtime has been used resulting in the over expenditure.
- Total Materials will be under budget approximately 12.5% or \$686,175.
- Special Projects primarily pertains to the Parking Shuttle operation and will be slightly below budget due to personnel changes.
- Equipment, Non-Capital, will have a positive variance of approximately \$60,000 as other equipment funding requests will be re-evaluated between now and the end of the year.
- Total Expenditures including Capital transfers for FY 2009 is projected at \$13,840,548.

Expenditure assumptions for FY 2010

All divisions were requested to reduce the FY 2010 operational expenditures by a minimum of 3% from the adopted FY 2009 Budget. With the exception of the Certification and Operations Division reductions met or exceeded 3%. Due to the cost of ARFF, Certification could not meet the 3% reduction, although supply line items were reduced and two out of date vehicles were removed from the vehicle maintenance allocated cost line item.

Overall, Supplies were reduced by 6.1% in FY 2010, and City of Santa Barbara Allocated Costs was reduced by 14.9%.

Other Discussion Items:

Proposed staffing changes include the eliminated one Administrative Assistant position and a reclassification/salary adjustment for the Marketing Assistant. Additionally, the Patrol Division will be adjusting work schedules to cut overtime.

Proposed capital projects contained in budget submittal total \$780,500:

The Airport uses revenues in excess of operational expenses to fund capital projects that maintain the buildings and facilities not eligible for federal or other special funding. These projects fall into four general categories: building repair, hazardous material testing and removal, pavement repair/replacement for streets, parking lots, and airfield paving maintenance, and infrastructure (water and sewer) repair. Additionally, major projects that exceed the repair category are designed and permitted separately and are funded from Airport reserves above policy.

Narrative Analysis of Revenues:

As of January 31, 2009, Fund 442 had a total remaining balance of \$4,113,285. Airport staff will be working to complete any outstanding projects and return any funds to reserves.

The FY 2010 budget reflects revenues exceeding operational expenses of approximately \$868,000, and of that amount \$780,500 is budgeted for routine capital projects and \$18,387 is needed to balance the expenditures in Fund 446 (T-hangar fund).

Narrative Analysis of Expenditures:

The Airport Funded Capital Program for FY 2010 totals \$780,500 and the design of two projects:

- The FY 2010 Capital Program (Fund 442) totals \$500,000 for Airport projects including routine maintenance and repair categories.
- The water loop system and the sewer system are anticipated to be constructed in FY 2010 and will be funded with bonds.
- Design of two projects: Commercial/Industrial Building 225 Remodel and Firestone Drainage (Cass to Arnold) total \$280,500.
- The Airport will fund FY 2010 Capital budgets with reserves above policy in Fund 441.

Adjustments have been made to the adopted Capital Plan to meet work schedules and funds available.

Summary

The FY 2010 budget projects a reduction in revenue of 3.5% from FY 2009 revenues, and a reduction in expenditures including capital of 10.9%. The Budget Sub Committee met and recommended approval of the FY 2010 Airport Department Budget.